

United States Senate
WASHINGTON, DC 20510

June 6, 2006

The Honorable Daniel R. Levinson
Inspector General
Department of Health and Human Services
330 Independence Avenue, SW
Washington, DC 20201

Dear Inspector General Levinson:

When Congress crafted the Medicare prescription drug benefit, a key goal was to ensure that beneficiaries have good access to their local, community pharmacies. The Medicare Modernization Act (MMA) incorporates provisions, including network adequacy requirements and prohibitions on mail-order only prescription drug plans, to help accomplish that goal.

Medicare beneficiaries in rural areas often have only one pharmacy available to them. In many instances, the next closest pharmacy is ten, if not twenty, miles away. We know that the Centers for Medicare and Medicaid Services (CMS) analyzed the pharmacy networks submitted by prescription drug plans. We are concerned, however, by reports that even though plans' networks meet the standards, some beneficiaries in rural areas still face difficulties in using their prescription drug benefit at a conveniently located pharmacy.

We also are concerned about the sufficiency of reimbursements that local, community pharmacies receive from Medicare prescription drug plans. Pharmacists have informed us that in many cases, reimbursements fall well below their costs, which will undermine the long-term viability of local pharmacies and the MMA goal of ensuring beneficiaries' access to them.

Finally, we have heard that some prescription drug plans may have used heavy-handed contracting strategies, including a requirement that pharmacies participate in the plan's Medicare network as a condition of participation in the plan's networks for other lines of business. At the same time, we have heard that some pharmacies sometimes relied on a third-party to contract on their behalf, and as a result, had a limited understanding of the contract terms.

Given the current situation, we respectfully request that the Office of the Inspector General (OIG) conduct an analysis of:

Network Adequacy: the application of the MMA network adequacy standards and the extent to which they have assured rural beneficiaries' access to local, community pharmacies, including a review of minimal distances between beneficiaries and network pharmacies and a review of oversight strategies to ensure plans' compliance with minimum pharmacy access standards in rural regions;

Reimbursement: reimbursements, including any additional remuneration (e.g., rebates), to such pharmacies from Medicare prescription drug plans relative to the pharmacies' costs acquiring and dispensing prescription drugs; and

Contracting: the methods used by prescription drug plans in developing their Medicare networks and the extent to which local, community pharmacies relied on third-parties for assistance in contracting with prescription drug plans.

Thank you for your assistance with this request.

Chuck Grassley

Don Wyden
Chris Hatch

Kent Latt
Dominique

Craig Thomas
Rick Santorum

C. H. Smith

Paul Coble

Max Baucus

Jay Rockefeller

Kent Conrad

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